

Message Text

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ACTION EB-11

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E.O. 11652: N/A

TAGS: ETRD, EAIR, UK

SUBJ: ROLLS-ROYCE ENGINE FOR BOEING 747

REF: LONDON 11884

1. SUMMARY. UKG STILL UNDER PRESSURE TO MAKE EARLY FUNDING COMMITMENT ON ROLLS-ROYCE RB 211-524 ENGINE PROJECT. UK OFFICIAL PROVIDES FURTHER DETAIL REGARDING PROJECT. PRATT AND WHITNEY'S CHANCES OF HEADING OFF ROLLS-ROYCE COMPETITION IN 747 MARKET MAY BE BETTER THAN PREVIOUSLY BELIEVED. END SUMMARY.

2. THE CONTROVERSY OVER POSSIBLE GOVERNMENT FUNDING FOR PRODUCTION OF ROLLS-ROYCE RB211-524 ENGINE CONTINUES TO SIMMER, FUELED BY PRESS REPORTS THAT BOEING HAS OW "SHELVED" PLANS TO PUT THE 524 ENGINE ON ITS 747'S AND TRADE UNION PRESSURE ON THE GOVERNMENT FROM ROLLS-ROYCE WORK FORCE EMPLOYED AT THE DERBY PLANT WHERE THE RB 211-22 ENGINE IS NOW IN PRODUCTION.

2. WE DISCUSSED SITUATION AGAIN ON SEPT 17 WITH WARRINGTON, UNDERSECRETARY FOR AIR, DEPT OF INDUSTRY. MAIN POINTS WARRINGTON MADE WERE AS FOLLOWS:

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A. HE BELIEVES PRESS STORIES ARE BEING GENERATED BY

ROLLS-ROYCE IN BELIEF THAT PUBLIC CONTROVERSY IN PRE-ELECTION ENVIRONMENT MIGHT PROMPT UKG TO MAKE FUNDING COMMITMENT IN ADVANCE OF FIRM ORDERS. WARRINGTON BELIEVES R-R TACTIC STANDS ONLY OUTSIDE CHANCE OF SUCCESS.

B. 524 ENGINE PROGRAM IS ON SCHEDULE AND NOT BEING HELD UP BY LACK OF UKG COMMITMENT ON PRODUCTION FINANCE. IN THIS CONNECTION, WARRINGTON GAVE US FULL TEXT OF DEPT OF INDUSTRY STATEMENT ISSUED SETP 12 PRESS ACCOUNTS OF WHICH (PARA 2 REFTEL) HAD OMITTED FIRST TWO PARAGRAPHS. OMITTED TEXT READS: QUOTE TODAY'S PRESS REPORTS THAT THE DEVELOPMENT AND PRODUCTION OF THE RB 211-524 IS BEING HELD BACK BY LACK OF SUPPORT. THIS IS UNTRUE. THE REAL POSITION IS AS FOLLOWS:

DEVELOPMENT IS CONTINUING WITHOUT CHECK IN ACCORDANCE WITH ROLLS-ROYCE (1971) LTD.'S OWN TIMETABLE AND ROLLS-ROYCE (1971) LTD. HAVE FOR SOME MONTHS BEEN AUTHORIZED TO UNDERTAKE LONG LEAD TIME COMMITMENTS TOWARDS PRODUCTION SO AS TO AVOID ANY DELAY IN EVENTUAL DELIVERY DATES. UNQUOTE (REMAINDER OF TEXT AS REPORTED REFTEL).

C. INDUSTRY SECRETARY BENN TELEPHONED BOEING AND LOCKHEED/TEXTRON WHEN ORIGINAL FINANCIAL TIMES ARTICLE APPEARED TO REASSURE THEM THAT, PRESS REPORTS TO THE CONTRARY NOTWITHSTANDING, UKG INTEREST IN 524 PROJECT IS NOT WAVERING.

D. WITH REGARD TO USE OF 524 ENGINE ON 747'S WARRINGTON AGAIN ASSURED US THAT NO GOVERNMENT PRESSURE APPLIED TO BRITISH AIRWAYS TO INFLUENCE IS CHOICE OF ENGINES. UKG ESTIMATES IT WILL COST AN ADDITIONAL 20 MILLION POUNDS TO FINANCE DEVELOPMENT OF 524 ENGINE BEYOND TRISTAR REQUIREMENTS IN ORDER TO USE THE ENGINE ON 747. BECAUSE OF THIS EXTRA COST, UKG REQUIRES A SECOND MAJOR CUSTOMER FOR THE ROLLS-POWERED 747 IN ADDITION TO THE ORDER UNDER NEGOTIATION BY BRITISH AIRWAYS. WARRINGTON SAID UKG NOT TOO WORRIED BY PRESS LIMITED OFFICIAL USE

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ACCOUNTS THAT BOEING "SHELVING" PLANS FOR ROLLS-POWERED 747 BECAUSE IT BELIEVES BOEING CAN BE PERSUADED/INDUCED TO RECONSIDER WHEN TIME IS RIGHT. WARRINGTON TOLD S THAT BOEING TEAM WORKING ON DESIGN MODIFICATIONS REQUIRED FOR 524 ENGINE HAS BEEN PAID FOR BY ROLLS-ROYCE.

3. COMMENT. DEPARTMENT OF INDUSTRY PRESS STATEMENT REVEALING SECOND CUSTOMER CONDITION FOR DEVELOPING 524

FOR USE ON 747 AND GENERAL TONE OF WARRINGTON'S REMARKS
LEAD US TO BELIEVE THAT PRATT AND WHITNEY MAY STAND BET-
TER CHANCE THAN ARE PREVIOUSLY THOUGHT OF HEADING OFF
ROLLS-ROYCE COMPETITION IN 747 MARKET. APPARENTLY,
SECOND CUSTOMER FOR ROLLS-POWERED 747 PROVING TO BE
VERY ELUSIVE AND BRITISH AIRWAYS RAPIDLY APPROACHING
POINT WHEN IT MUST PLACE FIRM ORDER TO GUARANTEE AIR-
CRAFT DELIVERY DATE. INASMUCH AS IT APPEARS UNLIKELY
THAT BRITISH AIRWAYS WILL GIVE UP ITS STATED INTENTION
TO BUY ROLLS-POWERED 747S IF 524 ENGINE OPTION BECOMES
AVAILABLE, WE WOULD RECOMMEND THAT P/W CONCENTRATE ITS
EFFORTS ON COUNTERING ROLLS-ROYCE SALES CAMPAIGN WITH
OTHER PROSPECTIVE CUSTOMERS FOR ROLLS-POWERED 747S.

4. SINCE ABOVE WRITTEN, LATER PRESS STORIES REPORT THAT
BOEING WILL NOT DROP ROLLS ENGINE PROJECT AT LEAST UNTIL
BOEING PRESIDENT BOULLIOUN HAS HAD OPPORTUNITY DISCUSS
PROJECT WITH ROLLS-ROYCE CHAIRMAN, SIR KENNETH KEITH,
LATER THIS WEEK.

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